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RUEHBJ/AMEMBASSY BEIJING 3921
RUEHKO/AMEMBASSY TOKYO 3780
RUEHIT/AMCONSUL ISTANBUL 4490
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1479
RUEHVEN/USMISSION USOSCE 4393

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000195

SIPDIS

STATE FOR SCA/CEN; EEB;NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR DSTARKS/EHOUSE

E.O. 12958: DECL: 02/11/2020

TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [IR](#) [TX](#)

SUBJECT: TURKMENISTAN: U.S. COMPANY WEATHERFORD EYES MORE
OPPORTUNITIES

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: U.S.-based oil and gas service company Weatherford continues to press forward in Turkmenistan, seeking additional service contracts with international oil and gas companies (IOC), as well as direct contracts with the Government of Turkmenistan (GOTX). The company is considering an "alliance" with Turkmenistan's state-owned oil and gas companies, since the GOTX is reportedly reluctant to enter into joint ventures. The company's country manager felt the GOTX prefers to do business with service companies like Weatherford over large international oil companies (IOC). He added that his company had the resources, technology, and experience that most IOCs had. Weatherford recently entered into a contract with UAE-based Gulf Oil and Gas FZE to drill wells in the South Yoloten gas field. The deal comes at a time when Weatherford ended its service contract with UAE-based Dragon Oil in the offshore Cheleken contractual territory. Dragon Oil swaps oil with Iran, and U.S.-based Weatherford needed to comply with U.S. sanctions against Iran. END SUMMARY.

12. (C) On February 10, econoff met with the country manager for the U.S. oil and gas service provider Weatherford. The company has been present in Turkmenistan for eight years and has its main office in Ashgabat. It operates a branch in Turkmenbashy where it has a service contract with Malaysian Petronas and another branch in Balkanabat, where it has a service contract with Italian energy company Eni (NOTE: U.K. Burren Energy had the original oil production sharing agreement (PSA) with the GOTX in 1996, but Eni bought Burren Energy in 2008. END NOTE.) Weatherford has 120 employees in the country, only 12 of whom are expats. The company's country manager stated he was brought into Turkmenistan from the UAE to "build the business," after turning Weatherford's \$4 million annual UAE profits into \$200 million per year.

AN "ALLIANCE" VS. A JOINT VENTURE

13. (C) Weatherford's country manager explained that the company is in constant negotiations with state-owned TurkmenGas, TurkmenOil, and TurkmenGeology in order to spur direct deals with the GOTX. He stated the company has one employee dedicated to visiting the state-owned companies and government offices on a daily basis to liaise with Turkmen energy sector decision makers. He noted that the GOTX would prefer to enter a commercial "alliance" with Weatherford, in lieu of a joint venture for a particular project. He added that much remains unclear concerning the potential "alliance," including who will provide capital, whether the alliance will be considered a legal entity by Turkmen law, and what specific benefits Weatherford can count on by joining the alliance. At the same time, he had the impression that entering an "alliance" with the GOTX would put Weatherford at the front of the line for future production deals.

14. (C) According to the company's country manager, the GOTX prefers to work with service companies like Weatherford and Schlumberger over large, international oil and gas companies (IOC). He posited that Weatherford's eight year presence in the country had won over government officials, who are generally weary of foreign energy companies. He was confident that Weatherford could successfully drill subsalt and high sulfur content fields that IOCs have previously claimed only they could do. As a result, he believed that all service companies in Turkmenistan are quietly courting the GOTX with direct production deals, since they are willing to work on a service contract basis. He did not rule out the possibility of pursuing longer-term agreements including

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PSAs, however. When asked if Weatherford's business interests with IOCs in other countries could be damaged by Weatherford's plans to seek direct deals with the GOTX, he responded that Turkmenistan was still relatively "unexplored," and that no one energy company had any established "claims" to date.

WEATHERFORD CLAIMS ITS IRAN SANCTION COMPLIANT

15. (C) The country manager explained that Weatherford's service contract with UAE-based Dragon Oil was terminated when the company's U.S. sanction's office confirmed that Dragon Oil was swapping oil produced in Cheleken with Iran. He stressed that Weatherford's legal counsel worked closely with the U.S. Departments of Justice, State, and Commerce in order to ensure the company is in compliance with U.S. law. In addition, the company reportedly spent a large amount of its own resources pulling its employees and equipment out of the Cheleken contractual territory. The country manager described the former contract with Dragon Oil as profitable, adding that Weatherford is now pressing for future contracts with the GOTX to compensate for lost revenue.

16. (C) COMMENT: There are only a handful of oil and gas service companies in Turkmenistan, and U.S.-based Weatherford is prominent among them. According to the company's country manager, the GOTX currently prefers service providers over large IOCs, putting Weatherford in an excellent position to strike direct deals for the development of onshore gas fields. Unlike most IOCs vying for Turkmen business, service contracts are the bread and butter of companies like Weatherford. At the same time, Weatherford hopes that its eight years of successful service contract work will enable the company to parlay its good reputation into direct, long-term deals with the Turkmen. END COMMENT
CURRAN